BEST COPY
AVAILABLE

MT LEGISLATIVE HISTORY

Chapter 618 1987

Bill H 816 S _____ Original bill & hist. ✓ C

H. Committee on Taxation		S. Committee on Taxation	
Hearing Date(s) _____	___C	Hearing Date(s) _____	___C
3/5	✓C	4/11	✓C
_____	___C	_____	___C
_____	___C	_____	___C
Date Out 3/19	✓C	4/11	✓C

Did this bill originate in an interim committee? ___Yes ✓No

Committee _____ Report _____

HOUSE BILL NO. 816

INTRODUCED BY ASAY, RAMIREZ, KELLER, SANDS

IN THE HOUSE

FEBRUARY 18, 1987	INTRODUCED AND REFERRED TO COMMITTEE ON TAXATION.
MARCH 19, 1987	COMMITTEE RECOMMEND BILL DO PASS AS AMENDED. REPORT ADOPTED.
MARCH 20, 1987	PRINTING REPORT.
MARCH 21, 1987	SECOND READING, DO PASS AS AMENDED.
	ON MOTION, BILL RETURNED TO SECOND READING FOR FURTHER AMENDMENT.
MARCH 24, 1987	SECOND READING, DO PASS AS AMENDED.
	ENGROSSING REPORT.
MARCH 26, 1987	THIRD READING, PASSED. AYES, 76; NOES, 21.
	TRANSMITTED TO SENATE.

IN THE SENATE

APRIL 9, 1987	ON MOTION, RULES SUSPENDED TO ALLOW RECEIPT OF HB NO. 816.
APRIL 10, 1987	INTRODUCED AND REFERRED TO COMMITTEE ON TAXATION.
APRIL 13, 1987	COMMITTEE RECOMMEND BILL BE CONCURRED IN AS AMENDED. REPORT ADOPTED.
APRIL 14, 1987	SECOND READING, CONCURRED IN.
	ON MOTION, RULES SUSPENDED TO PLACE BILL ON THIRD READING THE 83RD LEGISLATIVE DAY.

APRIL 14, 1987	THIRD READING, CONCURRED IN. AYES, 50; NOES, 0.
	RETURNED TO HOUSE WITH AMENDMENTS.
IN THE HOUSE	
APRIL 16, 1987	RECEIVED FROM SENATE.
	SECOND READING, AMENDMENTS CONCURRED IN.
APRIL 17, 1987	THIRD READING, AMENDMENTS CONCURRED IN.
	SENT TO ENROLLING.

House BILL NO. 816

INTRODUCED BY Ray Ramirey Keller Sands

A BILL FOR AN ACT ENTITLED: "AN ACT CREATING A NEW CLASS TWENTY CLASSIFICATION FOR PROPERTY TAX PURPOSES; ESTABLISHING REQUIREMENTS FOR DETERMINING THE MARKET VALUE OF CLASS TWENTY PROPERTY; CLARIFYING TERMINOLOGY RELATING TO TAXABLE VALUE, MARKET VALUE, AND ASSESSED VALUE; AMENDING SECTION 15-8-111, MCA; AND PROVIDING AN IMMEDIATE EFFECTIVE DATE AND A RETROACTIVE APPLICABILITY DATE."

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MONTANA:

NEW SECTION. Section 1. Class twenty property -- description -- method of valuation -- taxable percentage. (1) Class twenty property includes all real and personal property that is integrally related in a single working unit and devoted exclusively to the processing of agricultural or timber products.

(2) In determining the market value of class twenty property, the department shall use the formula V=I/R where:

(a) V is the market value of the property for the current taxable year;

(b) I is the net income produced by the property during the immediately preceding taxable year and must be the same amount as the net income reported to the department as provided in Title 15, chapter 31, for the immediately preceding taxable year; and

(c) R is the capitalization rate to be determined by the department as provided in subsection (3).

(3) The capitalization rate is the average annual interest rate on agricultural loans, as reported by the federal land bank association of Spokane, Washington, for the calendar year immediately preceding the current taxable year, plus the effective tax rate in Montana for class twenty property determined as provided in subsection (4).

(4) The effective tax rate is calculated by the department for the current taxable year by dividing the statewide total estimated tax due on class twenty property for the immediately preceding year by the statewide total market value of class twenty property for the immediately preceding year.

(5) Property that meets the description of class twenty property in subsection (1) that does not have a net income stream from which to calculate its market value must be valued:

(a) on the basis of its construction cost if it is newly constructed; or

(b) if not newly constructed, at the cost at which it was acquired, whether the method of acquisition was a contract for deed, mortgage, fee simple purchase, purchase

INTRODUCED BILL
HB-816

LC 1199/01

at bankruptcy, or any other transaction considered to be an arm's-length transaction.

(6) Property in class twenty is taxable at 3.86% of its market value.

Section 2. Section 15-8-111, MCA, is amended to read:

"15-8-111. Assessment -- market value standard -- exceptions. (1) All taxable property must be assessed at 100% of its market value except as otherwise provided ~~in subsection (5) of this section and in 15-7-111 through 15-7-114~~.

(2) (a) Market value is the value at which property would change hands between a willing buyer and a willing seller, neither being under any compulsion to buy or to sell and both having reasonable knowledge of relevant facts.

(b) Except as provided in subsection (3), the market value of all motor trucks; agricultural tools, implements, and machinery; and vehicles of all kinds, including but not limited to aircraft and boats and all watercraft, is the average wholesale value shown in national appraisal guides and manuals or the value of the vehicle before reconditioning and profit margin. The department of revenue shall prepare valuation schedules showing the average wholesale value when no national appraisal guide exists.

(3) The department of revenue or its agents may not adopt a lower or different standard of value from market

value in making the official assessment and appraisal of the value of property ~~in 15-6-134 through 15-6-140 and 15-6-145 through 15-6-149~~, except:

(a) the wholesale value for agricultural implements and machinery is the loan value as shown in the Official Guide, Tractor and Farm Equipment, published by the national farm and power equipment dealers association, St. Louis, Missouri; and

(b) for agricultural implements and machinery not listed in the official guide, the department shall prepare a supplemental manual where the values reflect the same depreciation as those found in the official guide; and

(c) as otherwise authorized in Title 15 and Title 61.

(4) For purposes of taxation, assessed value is the same as appraised value.

(5) The taxable value for all property ~~in classes four through eleven and fifteen through nineteen~~ is the percentage of market or assessed value established for each class of property ~~in 15-6-134 through 15-6-141 and 15-6-145 through 15-6-149~~.

(6) The assessed value of properties in 15-6-131 through 15-6-133 is as follows:

(a) Properties in 15-6-131, under class one, are assessed at 100% of the annual net proceeds after deducting the expenses specified and allowed by 15-23-503.

(b) Properties in 15-6-132, under class two, are assessed at 100% of the annual gross proceeds.

(c) Properties in 15-6-133, under class three, are assessed at 100% of the productive capacity of the lands when valued for agricultural purposes. All lands that meet the qualifications of 15-7-202 are valued as agricultural lands for tax purposes.

(d) Properties in 15-6-143, under class thirteen, are assessed at 100% of the combined appraised value of the standing timber and grazing productivity of the land when valued as timberland.

(7) Land and the improvements thereon are separately assessed when any of the following conditions occur:

(a) ownership of the improvements is different from ownership of the land;

(b) the taxpayer makes a written request; or

(c) the land is outside an incorporated city or town.

~~(8) The taxable value of all property in 15-6-131 and classes two, three, and thirteen is the percentage of assessed value established in 15-6-131(2), 15-6-132, 15-6-133, and 15-6-143 for each class of property.~~

(Subsections (3)(a) and (3)(b) applicable to tax years beginning after December 31, 1985--sec. 4, Ch. 463, L. 1985. Subsection (6)(d) and references in (8) [now deleted] to class thirteen and 15-6-143 terminate January 1, 1991--sec. 10, Ch. 681, L. 1985.)"

NEW SECTION. Section 3. Extension of authority. Any existing authority of the department of revenue to make rules on the subject of the provisions of this act is extended to the provisions of this act.

NEW SECTION. Section 4. Codification instruction. Section 1 is intended to be codified as an integral part of Title 15, chapter 6, part 1, and the provisions of Title 15, chapter 6, apply to section 1.

NEW SECTION. Section 5. Effective date -- applicability. This act is effective on passage and approval and applies to taxable years beginning after December 31, 1986.

-End-

HOUSE BILL NO. 816

INTRODUCED BY ASAY, RAMIREZ, KELLER, SANDS

A BILL FOR AN ACT ENTITLED: "AN ACT CREATING A NEW CLASS TWENTY CLASSIFICATION FOR PROPERTY TAX PURPOSES; ESTABLISHING REQUIREMENTS FOR DETERMINING THE MARKET VALUE OF CLASS TWENTY PROPERTY; ESTABLISHING LOCAL GOVERNMENT APPROVAL AS A PREREQUISITE FOR CLASSIFICATION AS CLASS TWENTY PROPERTY; CLARIFYING TERMINOLOGY RELATING TO TAXABLE VALUE, MARKET VALUE, AND ASSESSED VALUE; AMENDING SECTION 15-8-111, MCA; AND PROVIDING AN IMMEDIATE EFFECTIVE DATE AND A ~~RETROACTIVE~~ AN A RETROACTIVE APPLICABILITY DATE."

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MONTANA:

NEW SECTION. Section 1. Class twenty property -- description -- method of valuation -- taxable percentage. (1) Class twenty property includes all real and personal property that:

(A) is integrally related in a single working unit and;

(B) IS devoted exclusively to the processing of agricultural or timber products; AND

(C) (I) HAS NOT BEEN IN PRODUCTION FOR 12 CONSECUTIVE MONTHS OR HAS BEEN ACQUIRED IN AN ARM'S-LENGTH TRANSACTION BY AN UNRELATED PERSON, INCLUDING AN ACQUISITION IN A FORECLOSURE SALE OR BANKRUPTCY PROCEEDING; OR

(II) HAS BEEN ACQUIRED IN A FORECLOSURE OR BANKRUPTCY PROCEEDING BY A PERSON, AS DEFINED IN 15-1-102, HAVING NO RELATIONSHIP TO OR INTEREST IN THE PROPERTY PRIOR TO THE TRANSACTION.

(2) In determining the market value of class twenty property, the department shall ~~use the formula V=I/R where:~~

~~(a) V is the market value of the property for the current taxable year;~~

~~(b) I is the net income produced by the property during the immediately preceding taxable year and must be the same amount as the net income reported to the department as provided in Title 15, chapter 31, for the immediately preceding taxable year; and~~

~~(c) R is the capitalization rate to be determined by the department as provided in subsection (3);~~

~~(3) The capitalization rate is the average annual interest rate on agricultural loans, as reported by the federal land bank association of Spokane, Washington, for the calendar year immediately preceding the current taxable year, plus the effective tax rate in Montana for class twenty property determined as provided in subsection (4);~~

~~(4) The effective tax rate is calculated by the department for the current taxable year by dividing the statewide total estimated tax due on class twenty property~~

Montana Legislative Council

for--the--immediately--preceding-year-by-the-statewide-total market-value-of-class-twenty-property--for--the--immediately preceding-year.

~~(5)--Property--that--meets--the--description--of--class twenty-property-in-subsection-(1)-that-does-not-have--a--net income--stream-from-which-to-calculate-its-market-value-must be-valued:~~

~~(a)--on-the-basis-of-its-construction--cost--if--it--is newly-constructed;-or~~

~~(b)--if--not-newly-constructed,-at-the-cost-at-which-it was-acquired,--whether--the--method--of--acquisition--was--a contract--for--deed,-mortgage,-fee-simple-purchase,-purchase at-bankruptcy,-or-any-other-transaction-considered-to-be--an arm's-length-transaction.~~ REDUCE THE ASSESSED VALUE BY 25% A YEAR FOR EACH YEAR THE PLANT CONTINUES TO BE OUT OF PRODUCTION UNTIL THE MARKET VALUE IS REDUCED TO SALVAGE VALUE.

(3) ~~FOLLOWING--THE~~ UPON COMMENCEMENT OF PRODUCTION OR AN ACQUISITION DESCRIBED IN SUBSECTION (1)(C)(II), PROPERTY CLASSIFIED AS CLASS TWENTY MUST REMAIN AT THE PRECEDING YEAR'S VALUATION FOR THE SUCCEEDING 12 MONTHS. FOLLOWING THE END OF THE 12-MONTH PERIOD, THE PROPERTY MAY BE CONSIDERED NEW OR EXPANDING INDUSTRY AS PROVIDED IN TITLE 15, CHAPTER 24, PART 14.

~~(6)~~(4) Property in class twenty is taxable at 3.86% of

its market value.

NEW SECTION. SECTION 2. APPLICATION FOR CLASSIFICATION AS CLASS TWENTY PROPERTY -- LOCAL GOVERNMENT APPROVAL REQUIRED. (1) A PERSON APPLYING FOR CLASSIFICATION OF PROPERTY AS CLASS TWENTY PROPERTY SHALL MAKE AN APPLICATION TO THE DEPARTMENT OF REVENUE ON A FORM PROVIDED BY THE DEPARTMENT WITHOUT COST.

(2) THE DEPARTMENT MAY NOT GRANT AN APPLICATION FOR CLASSIFICATION OF PROPERTY AS CLASS TWENTY PROPERTY UNLESS THE GOVERNING BODY OF THE AFFECTED COUNTY OR INCORPORATED CITY OR TOWN APPROVES THE APPLICATION BY RESOLUTION, FOLLOWING DUE NOTICE AS DEFINED IN 7b-15-103 AND A PUBLIC HEARING, FOR ITS RESPECTIVE JURISDICTION.

(3) THE RESOLUTION PROVIDED FOR IN SUBSECTION (2) MUST SPECIFY THE PROPERTY THAT THE TAXING JURISDICTION APPROVES FOR CLASSIFICATION AS CLASS TWENTY PROPERTY.

(4) THE PROPERTY VALUATION REDUCTION GRANTED TO CLASS TWENTY PROPERTY UNDER [SECTION 1] APPLIES ONLY TO THE NUMBER OF MILLS LEVIED AND ASSESSED FOR LOCAL HIGH SCHOOL DISTRICT AND ELEMENTARY SCHOOL DISTRICT PURPOSES AND TO THE NUMBER OF MILLS LEVIED AND ASSESSED BY AN APPROVING GOVERNING BODY OVER WHICH IT HAS SOLE DISCRETION. IN NO CASE MAY THE PROPERTY VALUATION REDUCTION FOR CLASS TWENTY PROPERTY APPLY TO LEVIES OR ASSESSMENTS REQUIRED UNDER TITLE 15, CHAPTER 10; 20-9-331; 20-9-333; OR OTHERWISE REQUIRED UNDER STATE

LAW.

Section 1. Section 15-8-111, MCA, is amended to read:

"15-8-111. Assessment -- market value standard -- exceptions. (1) All taxable property must be assessed at 100% of its market value except as otherwise provided ~~in subsection (5) of this section and in 15-7-111 through 15-7-114~~.

(2) (a) Market value is the value at which property would change hands between a willing buyer and a willing seller, neither being under any compulsion to buy or to sell and both having reasonable knowledge of relevant facts.

(b) Except as provided in subsection (3), the market value of all motor trucks; agricultural tools, implements, and machinery; and vehicles of all kinds, including but not limited to aircraft and boats and all watercraft, is the average wholesale value shown in national appraisal guides and manuals or the value of the vehicle before reconditioning and profit margin. The department of revenue shall prepare valuation schedules showing the average wholesale value when no national appraisal guide exists.

(3) The department of revenue or its agents may not adopt a lower or different standard of value from market value in making the official assessment and appraisal of the value of property ~~in 15-6-134 through 15-6-140 and 15-6-145 through 15-6-149~~, except:

(a) the wholesale value for agricultural implements and machinery is the loan value as shown in the Official Guide, Tractor and Farm Equipment, published by the national farm and power equipment dealers association, St. Louis, Missouri; and

(b) for agricultural implements and machinery not listed in the official guide, the department shall prepare a supplemental manual where the values reflect the same depreciation as those found in the official guide; and

(c) as otherwise authorized in Title 15 and Title 61.

(4) For purposes of taxation, assessed value is the same as appraised value.

(5) The taxable value for all property ~~in classes four through eleven and fifteen through nineteen~~ is the percentage of market or assessed value established for each class of property ~~in 15-6-134 through 15-6-141 and 15-6-145 through 15-6-149~~.

(6) The assessed value of properties in 15-6-131 through 15-6-133 is as follows:

(a) Properties in 15-6-131, under class one, are assessed at 100% of the annual net proceeds after deducting the expenses specified and allowed by 15-23-503.

(b) Properties in 15-6-132, under class two, are assessed at 100% of the annual gross proceeds.

(c) Properties in 15-6-133, under class three, are

assessed at 100% of the productive capacity of the lands when valued for agricultural purposes. All lands that meet the qualifications of 15-7-202 are valued as agricultural lands for tax purposes.

(d) Properties in 15-6-143, under class thirteen, are assessed at 100% of the combined appraised value of the standing timber and grazing productivity of the land when valued as timberland.

(7) Land and the improvements thereon are separately assessed when any of the following conditions occur:

(a) ownership of the improvements is different from ownership of the land;

(b) the taxpayer makes a written request; or

(c) the land is outside an incorporated city or town.

~~(8) The taxable value of all property in 15-6-131 and classes two, three, and thirteen is the percentage of assessed value established in 15-6-131(2), 15-6-132, 15-6-133, and 15-6-143 for each class of property.~~

[Subsections (3)(a) and (3)(b) applicable to tax years beginning after December 31, 1985--sec. 4, Ch. 463, L. 1985. Subsection (6)(d) and references in (8) [now deleted] to class thirteen and 15-6-143 terminate January 1, 1991--sec. 10, Ch. 681, L. 1985.]"

NEW SECTION. Section 4. Extension of authority. Any existing authority of the department of revenue to make

rules on the subject of the provisions of this act is extended to the provisions of this act.

NEW SECTION. Section 5. Codification instruction. ~~Section 1 is~~ SECTIONS 1 AND 2 ARE intended to be codified as an integral part of Title 15, chapter 6, part 1, and the provisions of Title 15, chapter 6, apply to ~~section 1~~ SECTIONS 1 AND 2.

NEW SECTION. Section 6. Effective date -- applicability. This act is effective on passage and approval and applies to taxable years beginning after December 31, ~~1986~~ ~~1987~~ 1986.

-End-

STATUS SHEET

50th LEGISLATIVE SESSION

TAXATION COMMITTEE

HOUSE

HOUSE BILL NUMBER	ENTERED COM. DATE	DATE CON-SIDERED	OUT OF COM.	DO PASS DATE	DO NOT PASS DATE	DO PASS AS AMENDED DATE	DO NOT PASS AS AMENDED DATE	BE CON-CURRED IN DATE	BE NOT CON-CURRED IN DATE	BE CON-CURRED IN AMENDED DATE	BE NOT CONCURRED IN AS AMENDED DATE
776	2/16/87	3/4/87				3/18/87					
782	2/16/87	3/9/87				3/18/87					
785	2/16/87	2/23/87	2/23/87	tabled							
791	2/18/87	3/5/87				3/12/87					
794	2/18/87	3/3/87				3/10/87					
807	2/18/87	3/3/87	3/17/87	tabled							
811	2/18/87	3/10/87	3/16/87	tabled							
813	2/19/87	3/5/87				3/19/87					
816	2/18/87	3/5/87				3/19/87					
817	2/18/87	2/19/87	referred	to Business and Labor							
817	2/19/87	3/5/87				3/6/87					
821	2/18/87	3/10/87				3/19/87					
826	2/18/87	3/5/87	3/16/87	tabled							
827	2/18/87	3/12/87	3/18/87	tabled							

would discourage people from recording deeds which many people are doing anyway.

Mr. Burr said he questioned the exemption on page 7, and suggested the committee may want to include a contract for deed. He said there doesn't appear to be any administration for the tax, and that the bill does not raise enough money to affect I-105.

Robert Helding, Montana Association of Realtors, said he opposed the bill because it is a sales tax.

Stuart Doggett, Montana Chamber of Commerce, stated his opposition to the bill.

QUESTIONS ON HOUSE BILL NO. 826: Rep. Ellison asked how much income would come from the sale of agricultural and timberland. There was no response.

Rep. Schye asked if a realty transfer certificate should be included in a general sales tax. Dennis Burr replied it should not.

Rep. Patterson asked who would pay a realty transfer in divorce situations when property is divided. Rep. Keenan replied that the bill would not apply to those situations.

CLOSING ON HOUSE BILL NO. 826: Rep. Keenan advised that with a sales tax Montanans would pay 4% on the sale of property instead of one-tenth of one percent, or $400 versus $10. She said the administration of the bill is handled the same as that of any similar situation by the county treasurer and county clerk and recorder, and that it is a user's tax which provides a way to meet planning needs that result from realty transfers. Rep. Keenan stated the bill provides a way of meeting I-105 requirements, which has not yet been addressed by the Committee.

CONSIDERATION OF HOUSE BILL NO. 816: Rep. Tom Asay, House District #27, said the bill would create a new class twenty classification for property tax purposes and establish requirements for determining the market value of class twenty property. He advised the bill would allow equipment essential to plant operations to be taxed the same as real property in an effort to provide adequate tax relief.

PROPONENTS OF HOUSE BILL NO. 816: William Michael, Yellowstone County Farmer and Vice President, Mountain States Sugarbeet Marketers Association, told the Committee that, of 245 members who sell beets to Western Sugar in Billings, there is unanimous support for any legislation to lower personal property taxes on that particular industry.

Loran Frank, Montana Farm Bureau, stated she supported the bill, so as not to lose the vital sugarbeet industry.

OPPONENTS OF HOUSE BILL NO. 816: Don Allen, Montana Wood Products Industry, told the Committee he is not really an opponent, but the bill would damage timber because of the capitalization rate.

Greg Groepper, Administrator, Property Assessment Division, DOR, said he opposed the bill as it would also affect agriculture, and there is a problem with meeting a statewide deadline. Mr. Groepper explained that in his conversation with Rep. Asay it was discovered Rep. Asay was attempting to provide an incentive for business that had closed to reopen their doors, or to encourage the purchase of a closed business.

Mr. Groepper suggested that the alternative is to ask DOR to drop the tax rate down for twelve consecutive months, to avert closures simply to avoid taxes, or to provide a tax holiday for new industry. He commented this would be much easier to administer.

QUESTIONS ON HOUSE BILL 813: Rep. Ellison asked if Washington Construction would be able to use both methods. There was no response.

Rep. Sands asked if the option were available under current law. Greg Groepper replied it is, but the Committee may need to address the situation, because it is difficult to determine how long is obsolescence in applying tax relief.

CLOSING ON HOUSE BILL NO. 813: Rep. Asay stated the situation needed to be addressed and will be vital to industry in the state.

ADJOURNMENT: There being no further business before the Committee, the meeting was adjourned at 11:20 a.m.

Jack Ramirez

Representative Jack Ramirez,
Chairman

HB 816

VISITORS' REGISTER

House Taxation COMMITTEE

EXHIBIT
DATE 3-5-87
HB 816

BILL NO. HB 816 DATE March 5, 1987

SPONSOR Asay

NAME (please print)	REPRESENTING	SUPPORT	OPPOSE
Lorna Frank	MT. FARM Bureau	X	
William Michael Jr.	MT. Beet Growers Ass'n	X	
Marvin Baylor	MT assessors assoc.	X	
Don Allen	Mineral Products Assn		X

IF YOU CARE TO WRITE COMMENTS, ASK SECRETARY FOR WITNESS STATEMENT FORM.

PLEASE LEAVE PREPARED STATEMENT WITH SECRETARY.

CS-33

EX 3-5

WITNESS STATEMENT

DATE 3-5-87
HB 816

NAME William Michael Jr. BILL NO. 816

ADDRESS 3900 Dover Road, Billings Mont. 59105 DATE 3-5-87

WHOM DO YOU REPRESENT? Mountain States Sugar Beet Growers Assn.

SUPPORT We support OPPOSE _____ AMEND _____

PLEASE LEAVE PREPARED STATEMENT WITH SECRETARY.

Comments:

We support this legislation out of concern for the future viability of the Sugar Beet industry in Southern Montana. We feel that any tax relief for Western Sugar Co. can certainly help insure that the Billings, Mont. sugar refinery can continue to operate in future years. A great number (265) of growers are dependent on this sugar refinery for much of their income. Thank you.

Rep. Ramirez made a motion to amend the language as suggested by Jim Lear, Staff Attorney, Legislative Council. The motion CARRIED with all members voting aye, except Rep. Williams, who voted no. Rep. Williams said he believes the federal law is unfair as it taxes inflation.

Rep. Raney made a motion to TABLE HB 768, because he doesn't believe the Committee understands the bill and because no one knows the fiscal impact.

Rep. Ellison stated that Senator Melcher said this portion of federal reform was the worst situation to ever happen to Montana. He added that he could figure out what the bill would do to him.

Rep. Raney's motion CARRIED, with all members voting aye, except Reps. Gilbert, Patterson, Hanson, Ramirez, Ellison, and Asay, who voted no.

DISPOSITION OF HOUSE BILL NO. 876: Chairman Ramirez made a motion that HB 876 DO PASS. The motion CARRIED with all members voting aye, except Rep. Sands, who voted no.

DISPOSITION OF HOUSE BILL NO. 841: Rep. Ellison made a motion that HB 841 be TABLED. The motion CARRIED unanimously.

DISPOSITION OF HOUSE BILL NO. 816: Rep. Asay told the Committee he and Rep. Winslow had discussed combining their bills.

Greg Groepper advised the Committee could take the local options in Rep. Winslow's bill and stay at lower valuation until twelve months after start-up, or production begins. He commented that such an amendment would make Rep. Winslow's bill workable.

Rep. Asay said he would like to, eventually, see all equipment in one class. Greg Groepper replied if that is the case, Rep. Asay would probably need to put the DOR amendment into his bill.

Chairman Ramirez asked if an amendment addressing Rep. Asay's concerns could be drafted by 5 p.m. this date. Greg Groepper advised he already has the language, and that it only needs to be inserted in Rep. Winslow's bill.

Chairman Ramirez advised that the Committee could then add "sale through bankruptcy and/or change of onwership". Greg Groepper responded that the Committee would then need to add how long that can last, because it still would not resolve the problem with Great Western Sugar.

Chairman Ramirez advised the Committee could kick HB 751 out and work on HB 816.

Rep. Asay made a motion that HB 816 DO PASS, and made a motion that the proposed amendments be approved (Exhibit #9). Greg Groepper stated he thought the bill was for agricultural processing facilities that were shut down, and asked if what he was hearing the Committee say, was that it is to give a tax incentive for such businesses. He commented that Great Western Sugar has never really been shut down, and suggested the amendment be added to Rep. Asay's bill.

The motion to amend CARRIED with all members voting aye, except Reps. Keenan and Ream, who voted no.

Rep. Asay made a motion that HB 816 DO PASS AS AMENDED. The motion CARRIED with all members voting aye, except Reps. Raney, Ream, Hoffman, and Harrington, who voted no.

DISPOSITION OF HOUSE BILL NO. 851: Rep. Harp requested that the Committee look at the bill as it was originally introduced, and that they strip the amendments that were approved during the last executive action on the bill. Rep. Harp made a motion to that effect.

Chairman Ramirez advised he would resist the motion.

Rep. Harp stated his community is willing to take an $800,000 loss, and the state should be willing to take a $200,000 loss in a cooperative effort.

Chairman Ramirez asked if this were a life and death situation right now, as he hadn't seen a compelling need for such a tax break.

The motion to strip the amendments CARRIED 9-6 on a roll call vote, with 1 abstention (attached).

Rep. Harp made a motion that HB 851 DO PASS. The motion CARRIED with all members voting aye, except Rep. Ramirez, who voted no.

DISPOSITION OF HOUSE BILL NO. 834: Chairman Ramirez made a motion that HB 834 be TABLED. The motion CARRIED unanimously.

DISPOSITION OF HOUSE BILL NO. 821: Rep. Keenan made a motion that HB 821 DO PASS, and made a motion that DOR's proposed amendments be approved (Exhibit #10).

DAILY ROLL CALL

HOUSE TAXATION COMMITTEE

50th LEGISLATIVE SESSION -- 1987

Date Mar 19, 1987

NAME	PRESENT	ABSENT	EXCUSED
REP. RAMIREZ		✓	
REP. ASAY		✓	
REP. ELLISON		✓	
REP. GILBERT		✓	
REP. HANSON		✓	
REP. HARP		✓	
REP. HARRINGTON		✓	
REP. HOFFMAN		✓	
REP. KEENAN			✓
REP. KOEHNKE		✓	
REP. PATTERSON		✓	
REP. RANEY		✓	
REP. REAM		✓	
REP. SANDS		✓	
REP. SCHYE		✓	
REP. WILLIAMS		✓	

CS-30

MONTANA STATE SENATE

TAXATION COMMITTEE

50TH LEGISLATURE

COMMITTEE MEMBERS: Senator George McCallum, Chairman
Senator Mike Halligan, V. Chairman
Senator Al Bishop
Senator Bob Brown
Senator Bruce Crippen
Senator Dorothy Eck
Senator Tom Hager
Senator Les Hirsch
Senator Ray Lybeck
Senator Joe Mazurek
Senator Ted Neuman
Senator Elmer Severson

STAFF ATTORNEY: Jim Lear

COMMITTEE SECRETARY: Aggie Hamilton

BOOK: 1 of 3

INCLUSIVE DATES: January 6 - February 25, 1987

SENATE

BILL NO.	REFER DATE	HEARING DATE			
HB0741	3/24				
HARP, JOHN			REGULATION OF HEALTH SERVICE CORPORATIONS		
HB0743	3/18	3/25	3/30, 4/2, 4/8, 4/10	CONCUR AS AMENDED	4/11
SALES, WALT			AMEND PROPERTY TAX AND ASSESSMENT SALE -- REDEMPTION TIME BASED ON HOMESTEAD		
HB0751	3/23	3/30		CONCUR AS AMENDED	3/30
WINSLOW, CAL			TAX EXEMPTION TO PREVENT DISMANTLING OF NONPRODUCING MFG. IMPROVEMENT		
HB0776	3/25	4/03		CONCUR AS AMENDED	4/11
NATHE, DENNIS			EXEMPT FROM SEVERANCE TAX ALL STRIPPER WELLS & ALL OTHER WELLS FOR 2 YEARS		
HB0782	3/25	4/02	4/10	CONCUR AS AMENDED	4/11
SANDS, JACK			LOCAL OPTION SALES OR INCOME TAX		
HB0791	3/18	3/25		CONCUR	3/27
STRIZICH, BILL			DANGEROUS DRUG TAX ACT		
HB0794	3/16	3/23		CONCUR	3/27
WILLIAMS, MEL			PROPERTY TAX EXEMPTION FOR LICENSED, NONPROFIT HOSPITAL & OUTPATIENT CENTERS		
HB0795	3/18	3/26		CONCUR FINANCE & CLAIMS	3/27
GILBERT, BOB			INCORPORATES REGULATION OF CLASS II INJECTION WELLS IN THE OIL AND GAS LAWS		
HB0813	3/24	3/27		CONCUR AS AMENDED	4/3
COHEN, BEN			SETTING FEE IN LIEU OF TAXES ON 3-WHEEL AND 4-WHEEL OFF-ROAD VEHICLES		
HB0816	4/10	4/11		CONCUR AS AMENDED	4/11
ASAY, TOM			NEW CLASS 20 PROPERTY FOR AGRICULTURAL PROCESSING AND TIMBER PLANTS		
HB0848	4/10	4/13		CONCUR	4/13
STANG, SPOOK			REFUND PRORATED SHARE OF CERTAIN TAXES PAID IN OTHER STATES		

Senator Crippen said if you are going to do this for 1988, that gives us another year. We may have economy that will bring that up, maybe the decrease won't be so drastic.

Representative Ramirez closed by stating it is extremely important to try to do something to get real property adjusted annually. This would help alleviate the problems we have had with the reappraisal process.

CONSIDERATION OF HB 816: Representative Asay, House District 27, presented this bill to the committee. This bill is an attempt to devise a system or method for the Department of Revenue to assess industries that deal with agriculture products that have closed down and are presently not operating. The original form of the bill provided a formula that didn't work and the fiscal note is in relation to the original language. This gives the Department of Revenue the authority to assess the value of this property in a manner that would be consistent with the fact that the operation is producing no income. To do that the language that applies to the new and expanding industries was broadened to include industries that have changed hands in an arm's-length transaction. This deals with an industry that is down with the hope of trying to encourage it to revive.

PROPONENTS: None.

OPPONENTS: None.

QUESTIONS FROM THE COMMITTEE: Senator Hirsch asked Representative Asay why would we want to put in (II) on page 1, line 25, the original owner may want to start it up again and why wouldn't we want to treat them the same.

Representative Asay said under that definition they can if they have been closed down for 12 months.

Senator Mazurek said a plant that has been out of production for 12 months will automatically get a 25% reduction in their assessed value each year they are out of production. He asked Representative Asay why the mandatory 25% reduction.

Representative Asay said primarily because it is non-producing property and to try to encourage that the equipment be left in place and to possibly go back into production in the near future.

Senator Mazurek said what if they were shutdown for 12 months for an upgrade. If they shutdown for upgrade for 12 months will they automatically get a 25% reduction.

Representative Asay said he hadn't thought of that possibility. The idea was that they would be closed down because they were not able to operate.

Senator Lybeck asked how many farmers, property values, would be affected by this bill.

Representative Asay said he hasn't really looked at that although Western Sugar would be one.

Senator Lybeck asked John LaFaver if he would have any idea of the magnitude of this bill.

John LaFaver said it depends what happens in the future. We don't have a count of the number of farms, as of today, that have been out of production for a year.

Senator Eck said it is important to limit this to agriculture and timber products.

Senator Mazurek said doesn't this trigger back into the sections amended in HB 709.

Senator Eck said in this bill it would be the Department of Revenue and in HB 709 the county commissioner would decide whether to give this break.

Representative Asay closed.

The meeting recessed at 9:00 A.M. and reconvened at 1:40 P.M. All committee members were present.

DISPOSITION OF HB 776: Senator Gage furnished the committee with a list of amendments to HB 776 with an attached explanation of the amendments, attached as Exhibit 1.

Senator Eck made a motion to adopt all of the amendments that are required because of a change of date from January to April, amendments numbers 1, 5, 8 and 12.

Senator Neuman said if you adopt amendment number 5 won't you make this reduction permanent.

Senator Gage said that deals with new production. If you give your notice that you will produce before July 1, 1991, then you would be qualified for the 24 months exemption.

Senator Crippen said if HB 377 does pass, then this becomes 1%. If HB 377 does pass, he would agree with Senator Halligan, at that point in time you would not want that 1% subject to property tax relief.

Senator Brown withdrew his motion.

Senator McCallum said we can pass this and he could have some amendments drafted to present on the Senate floor.

Senator Eck made a motion that HB 782 BE CONCURRED IN AS AMENDED.

The motion carried with Senators Neuman, Bishop, Lybeck, Brown and Severson opposed.

DISPOSITION OF HB 743: Jim Lear said the committee put on Senator Eck's motion to go to 18 months for the redemption period on property that would not be homestead property and he proposed the coordination instructions as requested by Senator Eck and attached as Exhibit 2, in relation to SB 162. He reviewed the amendments with the committee.

Senator Mazurek made a motion that the committee adopt the amendments. The motion carried.

Senator Eck made a motion that HB 743 BE CONCURRED IN AS AMENDED. The motion carried with Senators McCallum and Neuman opposed.

DISPOSITION OF HB 816: Senator Mazurek has difficulty with the first part of the bill where the Department shall reduce the assessed value by 25% a year for each year the plant is out of production. If you hold it for a year and do not produce for a year, the property tax drops.

Senator Crippen asked what this was in response to.

Senator McCallum said to Great Western Sugar.

Senator Halligan would move that HB 816 BE TABLED.

Senator Crippen asked how he would handle the problem that led to the introduction of this bill.

Senator Halligan said the bill only deals with agriculture and timberland. What is wrong with allowing this for mining and manufacturing as well.

Senator Lybeck said we had a sawmill and lumber plant in the Flathead and because of the situation with the taxes, when they shut it down they immediately went in and liquidated the two buildings and everything else they had there. With this bill in place, there might have been a possibility they would have stayed on.

A roll call vote was taken on Senator Halligan motion to table and the motion failed 3-9, see attached.

Senator Mazurek said his intent would be to leave section 1 as is and then to make them eligible for the treatment given in HB 709 so that the local government has to approve it. On HB 709 that credit is for new and expanding industry and he would rather have the provisions of that bill apply to this.

Senator Crippen is in favor of doing what Senator Mazurek suggests. He wants to apply the language that pertains to local people from HB 709 so that it is consistent with the provisions of HB 709.

Senator Halligan said that is the same amendment Senator Keating proposed on the floor on foreclosure and bankruptcy.

Senator Mazurek said to strike everything except subsection 3 and tie it into the section in HB 709.

Jim Lear said if there seems to be a consensus to go along with Senator Mazurek's suggestion, that the committee adopt the concept and he will work with Senator Mazurek for the proper language for the standing committee report.

Senator Mazurek said all he is trying to do is have the committee adopt an amendment, that was addressed on the Senate floor, and do that as a compromise instead of adopting a new class of property. Senator Mazurek would so move. The motion carried.

Senator Halligan would move that HB 816 BE CONCURRED IN AS AMENDED. The motion carried.

FURTHER CONSIDERATON OF HB 904: Senator Brown said there are some things that are up in the air that he would need to know more about before he would feel comfortable about making an agreement as per what form HB 904 should take. We need to know how much revenue would be generated by tax returns with 4-6-8 rates and a 10% surcharge and the total that would be needed out of the education trust fund, if that would be necessary, to balance the budget as per HB 2 in Finance and Claims. By Monday morning we should be

ROLL CALL

TAXATION COMMITTEE

50th LEGISLATIVE SESSION -- 1987 Date 4-11-87

NAME	PRESENT	ABSENT	EXCUSED
SENATOR CRIPPEN	✓		
SENATOR NEUMAN	✓		
SENATOR SEVERSON	✓		
SENATOR LYBECK	✓		
SENATOR HAGER	✓		
SENATOR MAZUREK	✓		
SENATOR ECK	✓		
SENATOR BROWN	✓		
SENATOR HIRSCH	✓		
SENATOR BISHOP	✓		
SENATOR HALLIGAN, VICE CHAIRMAN	✓		
SENATOR McCALLUM, CHAIRMAN	✓		

Each day attach to minutes.

ROLL CALL VOTE

SENATE COMMITTEE TAXATION

Date April 11, 1987 Bill No. HB 816 Time 3.25 P.m.

NAME	YES	NO
SENATOR CRIPPEN		✓
SENATOR NEUMAN	✓	
SENATOR SEVERSON		✓
SENATOR LYBECK		✓
SENATOR HAGER		✓
SENATOR MAZUREK	✓	
SENATOR ECK		✓
SENATOR BROWN		✓
SENATOR HIRSCH		✓
SENATOR BISHOP		✓
SENATOR HALLIGAN, VICE CHAIRMAN	✓	
SENATOR McCALLUM, CHAIRMAN		✓

Aggie Hamilton
Secretary

Senator George McCallum
Chairman

Motion: Senator Halligan's motion that HB 816 Be Tabled - motion failed 3-9.

STANDING COMMITTEE REPORT

April 11, 19 87

MR. PRESIDENT

We, your committee on TAXATION

having had under consideration HOUSE BILL No. 816

3rd reading copy (blue color)

ASAY (MAHURER)

NEW CLASS 20 PROPERTY FOR AGRICULTURAL PROCESSING AND TIMBER PLANTS

Respectfully report as follows: That HOUSE BILL No. 816 be amended as follows:

1. Title, line 7.
Following: "PROPERTY;"
Insert: "ESTABLISHING LOCAL GOVERNMENT APPROVAL AS A PREREQUISITE FOR CLASSIFICATION AS CLASS TWENTY PROPERTY;"

2. Page 3.
Following: line 24
Insert: "NEW SECTION. Section 2. Application for classification as class twenty property--local government approval required. (1) A person applying for classification of property as class twenty property shall make an application to the department of revenue, on a form provided by the department without cost.

(2) The department may not grant an application for classification of property as class twenty property unless the governing body of the affected county or incorporated city or town approves the application by resolution, following due notice as defined in 76-15-103 and a public hearing, for its respective jurisdiction.

(3) The resolution provided for in subsection (2) must specify the property that the taxing jurisdiction approves for classification as class twenty property.

(4) The property valuation reduction granted to class twenty property under [section 1] applies only to the number of mills levied and assessed for local high school district and elementary school district purposes and to the number of mills levied and assessed by an approving governing body over which it has sole discretion. In no case may the property valuation reduction for the class twenty property apply to levies or assessments required under Title 15, chapter 10, 20-9-331, 20-9-333, or otherwise required under state law."

Renumber: subsequent sections

XXXXX
DO PASS

XXXXXXXX
DO NOT PASS

(CONTINUED)

Chairman.

3. Page 7, line 2.
Strike: "Section 1 is"
Insert: "Sections 1 and 2 are"

4. Page 7, line 4.
Strike: "section 1"
Insert: "sections 1 and 2"

AND AS AMENDED

BE CONCURRED IN

SENATOR GEORGE MC CALLUM, Chairman